

Exhibit 19

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GAO: 15 for-profit colleges used deceptive recruiting tactics

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Congressional officials on Wednesday identified 15 for-profit colleges where recruiters allegedly encouraged investigators posing as prospective students to commit fraud on financial aid applications or misled them about such matters as tuition costs and potential salaries after graduation.

The Government Accountability Office's [findings](#), presented to a congressional committee along with grainy video clips captured by hidden cameras, may amplify federal scrutiny of the fastest-growing higher-education sector.

Many of the largest for-profit entities were named among the 15 sites targeted by GAO investigators: University of Phoenix, with more than 400,000 students; Argosy University, part of the 136,000-student Education Management Corp.; Kaplan College, part of the 119,000-student Kaplan Higher Education operation owned by The Washington Post Co.; and Everest College, part of the 110,000-student Corinthian Colleges.

Also named: Westech College in California, Bennett Career Institute and Potomac College in the District, MedVance Institute in Florida, College of Office Technology in Illinois, Anthem Institute in Pennsylvania, and Westwood College and ATI Career Training in Texas. Kaplan, Everest and Phoenix each were cited twice, for different campuses.

Four of the colleges -- Westech, MedVance, Anthem and Westwood -- "encouraged fraudulent practices" in meetings with undercover investigators, the report says. All 15 "made deceptive or otherwise questionable statements."

At a morning Senate hearing, some of the most powerful revelations came in a brief [video presentation](#), spliced together from hidden-camera feeds.

Attendees watched as a MedVance admissions officer told an applicant he needn't worry about loading up student debt: "It's not like a car note -- if you don't pay it, they won't come after you."

A Texas admissions officer tells an applicant not to report his savings on a loan application: "They don't need to know how much cash you have."

And a Florida recruiter quips to a reluctant applicant, "What are you really afraid of?" and then rips up his application.

Leaders of industry giants Phoenix, Kaplan and Corinthian all announced internal investigations in response to the findings.

In a joint statement, Donald E. Graham, chairman and chief executive of The Washington Post Co., and Andrew S. Rosen, chairman and chief executive of Kaplan Inc., described the tactics revealed in the videotaped interviews as "sickening."

"They violate in every way the principles on which Kaplan is run," they said in a statement posted on The

Washington Post Co.'s Web site. "The GAO and the Senate [Health, Education, Labor and Pensions Committee] have done us a favor. We will do everything in our power to eliminate such conduct from Kaplan's education institutions."

University of Phoenix spokesman Manny Rivera said that if violations are found, the company will take "immediate and decisive disciplinary action up to, and including, termination of the employees involved." Corinthian said it would take "whatever action is necessary" to protect students from deception.

For-profit or "career" colleges have grown in enrollment from 365,000 students to nearly two million over the past several years, and their students borrowed more than \$20 billion in federal loans last year. With so many tax dollars at stake, Congress asked the GAO to determine whether the sector has engaged in fraud, deception or questionable marketing practices, as its critics allege.

Across official Washington, reaction to the findings and the video was swift and unequivocal.

Education Secretary Arne Duncan termed the apparent evidence of fraud "unacceptable, absolutely unacceptable."

Sen. Tom Harkin (D-Iowa), committee chairman, said he will seek more documents from the companies and hold more hearings in September. "Critics say it's only a few bad apples," Harkin said, "but again, I [ask]: Is the entire orchard contaminated, to use an analogy? Does something need to be done *systemically*, systemically, to make the for-profit institutions viable and an asset to the society, rather than a debit to these students?"

The GAO did not find evidence of fraud at any of the largest for-profit companies but did cite pushy tactics and poor advice.

A representative from Kaplan in California allegedly told an applicant that he could earn up to \$100 an hour as a massage therapist, when in fact 90 percent of workers in that field are paid less than \$34 an hour.

A representative of the University of Phoenix allegedly told an undercover applicant that he should take out thousands of dollars in student loans, even though he had \$250,000 in savings and could pay his tuition in cash.

It was "unclear" what would have motivated the colleges to encourage fraud when the applicant had no need of a loan, the report says. In other cases, the apparent motive was simply to enroll tuition-paying students.

A representative of Anthem Institute in Pennsylvania allegedly encouraged fraud by telling an applicant that she would "correct" his financial aid form by reducing his assets to zero. And at Westwood College, a representative allegedly encouraged an applicant to make up dependents to qualify for grants.

New regulations are coming to the industry this year. One prospective rule would curb the practice of rewarding recruiters based on the number of students they bring in.

Joshua Pruyn, a former admissions officer at a for-profit college in Denver, testified Wednesday about the "sales tactics" he was taught before he started his job, preparation that left him fully versed in conducting a "fake interview" to reel the students in.

"We were told how enrolling a student was a psychological game," Pruyn said.

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